Mary J. Healey
Consumer Counsel

State of Connecticut

Office of Consumer Counsel

The Energy and Technology Committee

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<u>Raised Bill No. 463, AAC Financing of Energy Efficiency and Renewable Energy</u>

Testimony of Mary J. Healey, Consumer Counsel

Presented by Joseph A. Rosenthal, Principal Attorney

The Office of Consumer Counsel (OCC) has carefully reviewed Raised Bill No. 463, AAC Financing of Energy Efficiency and Renewable Energy. The bill raises some interesting concepts that OCC could support, under certain conditions, as discussed below.

The bill proposes to use some of the money that would have been spent over the next decade on Class I renewables in the region and instead spend that money on a program that will finance new efficiency and renewable technologies in Connecticut. OCC shares the concern apparently recognized in this bill that complying with the renewable portfolio standards, which ramp up to 20% Class I by 2020, will not only become extraordinarily expensive but will also lead to a massive outflow of dollars from Connecticut to Northern New England for transmission lines and wind turbines. Such an outflow of dollars would help neither Connecticut's economy nor its environment, as our airshed is to our south and west, not to the north. So, <u>given a set pot of ratepayer dollars to be spent on renewables or efficiency</u>, OCC would prefer, as the bill does, to have that pot spent here in the State of Connecticut and not elsewhere.

OCC also generally supports the bill's primary focus on financing rather than grants based on the lower ratepayer expense of the former. OCC notes that Section 1(b) is presently blank as to whether both no-interest and low-interest financing are allowed by the administrator. OCC believes it likely that some projects will require only low-interest financing rather than no-interest financing and would want the administrator to be able to offer low-interest financing if that is likely to be a sufficient incentive.

OCC anticipates that the program described in this bill will become quite large, and presumably in the hundreds of millions of dollars. OCC is concerned that if a big balance develops in the account, there will be pressure to either spend the money on less economic projects or to sweep the funds for budget balancing. OCC would therefore like to see a provision that any amounts in the account over a certain number X be returned to ratepayers for rate relief.

OCC notes that the utility incentives for distributed resource installations in Section 3(b) appear to be considerably higher than necessary. For example, Section 3(b) would give a large, $250 per kilowatt incentive to the utilities for distributed resources installed by January 1, 2011. This is higher than the project host's own incentive of $200 per kilowatt. Although the utility's incentives go down over time, OCC does not see a good reason to have such high utility incentives at present for customer-side distributed resources. OCC also reiterates that the incentives for customer-side distributed resources, existing and new, should be examined holistically to ensure that they are not higher than necessary. Since the host is the primary beneficiary of a customer-side distributed resource, the host must be required to pay for a significant portion of a customer-side distributed resource, over time through financing as necessary.

Although OCC maintains that the near-term utility incentives for customer-side distributed resources are too high, OCC does recognize that there will be a burden for the electric distribution company to run the financing program established in this bill and compensation needs to be developed for that effort. Alternatively, the utility burden could be reduced somewhat by having a board like the Energy Conservation Management Board or some new entity involved.

Finally, the bill, at Section 1(i), leaves blank the entity to whom this financing program should be submitted for approval or modification. OCC maintains that the Department of Public Utility Control should certainly be the entity named with the authority to approve or modify this program.